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THE CRAIG BIT COMPANY LIMITED

DIRECTORS

J. C. ALEXANDER	Cambridge, Ontario
G. P. WEST	Cambridge, Ontario
E. L. HEALY	Toronto, Ontario
J. KOSTUIK	Don Mills, Ontario
J. W. WILCOCK	Pittsburgh, Pennsylvania

OFFICERS

J. C. ALEXANDER	President
J. A. READ	Vice-President and General Manager
R. J. TRAIN	Assistant Secretary-Treasurer

HEAD OFFICE

180 Ninth Street	North Bay, Ontario
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AUDITORS

PRICE WATERHOUSE & CO.	Hamilton, Ontario
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TRANSFER AGENT AND REGISTRAR

MONTREAL TRUST CO.	Toronto, Ontario
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**ANNUAL REPORT OF THE DIRECTORS
TO THE SHAREHOLDERS OF
THE CRAIG BIT COMPANY LIMITED**

Your Board of Directors submits herewith its Annual Report, along with the Auditors' Report for the year ended September 28th, 1973.

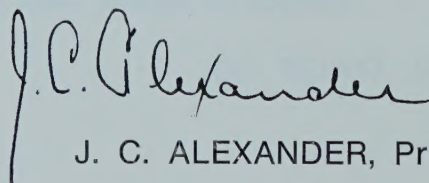
These reports will be presented for the approval of the Shareholders at the Annual Meeting of the Company, to be held in the New Brunswick Room at the Royal York Hotel, Toronto, Ontario, on Friday, February 8th, 1974, at 11:00 o'clock a.m.

Sales in fiscal 1973 were down by over 7½ % from sales in the like period in 1972. A loss of over \$66,000 was incurred. The loss in the fourth quarter was reduced considerably over that reported in the third quarter, with sales volume equal to that in the third quarter.

During the past year, a major change in marketing the Craig products competitively to the larger mining companies, became necessary. This change involves Craig Bit contracting with the mines to provide carbide bits and steels on a guaranteed price per foot basis. Craig Bit Company conducts tests in the rock to determine the life expectancy for bits and steels in the mine involved, establishing a cost and servicing factor, which includes sharpening and contract supervision, along with the in-circuit inventory required to maintain the contract. The volume of this contract work is escalating rapidly and we have a number of new contracts starting up in the latter part of the first quarter of fiscal 1974. Increased inventory has had to be manufactured to meet these contract dates and provide in-circuit inventory in the various mines involved. We have gained considerable experience in quoting and supervising these types of sales and anticipate that increased sales volume and improved profit picture will result with increased mining and construction activity.

The Board wishes to express its appreciation to the Officers and Employees of the Company for their continued loyal support and co-operation during this past difficult year.

On behalf of the Board,

A handwritten signature in dark ink, appearing to read "J. C. Alexander". The signature is fluid and cursive, with a long vertical line extending downwards from the end of the name.

J. C. ALEXANDER, President.

Price Waterhouse & Co.

chartered accountants

P.O. Box 128 20 Hughson St. S. Hamilton, Ont. L8N 3A2 (416) 528-8718

October 23, 1973

AUDITORS' REPORT

To the Shareholders of
The Craig Bit Company Limited:

We have examined the balance sheet of the Craig Bit Company Limited as at September 23, 1973 and the statements of income and retained earnings and source and use of funds for the fiscal year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and other supporting evidence as we considered necessary in the circumstances.

In our opinion these financial statements present fairly the financial position of the Company as at September 28, 1973 and the results of its operations and the source and use of its funds for the fiscal year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

A stylized, handwritten signature in cursive script that reads "Price Waterhouse & Co." in a dark ink.

Chartered Accountants

THE CRAIG BIT CO

(Incorporated under the laws of the State of California)

BALANCE SHEET

ASSETS

	September 28 1973	September 29 1972
CURRENT ASSETS:		
Cash	\$ 28,708	\$ 25,304
Accounts receivable	354,464	347,963
Income taxes recoverable	64,929	106,191
Inventories, valued at the lower of cost and net realizable value	1,348,366	1,158,289
Prepaid expenses	16,773	17,378
	<u>1,813,240</u>	<u>1,655,125</u>
FIXED ASSETS, at cost (Note 1):		
Buildings	388,450	388,450
Machinery and equipment	1,536,342	1,492,288
	<u>1,924,792</u>	<u>1,880,738</u>
Less: Accumulated depreciation	1,365,006	1,268,398
	<u>559,786</u>	<u>612,340</u>
	<u><u>\$2,373,026</u></u>	<u><u>\$2,267,465</u></u>

MPANY LIMITED

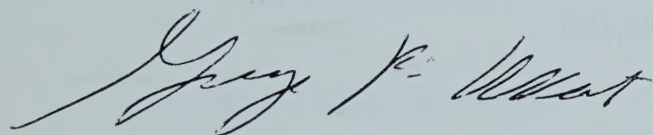
(laws of Ontario)

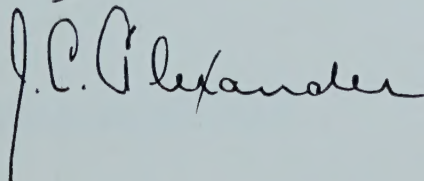
SHEET

LIABILITIES AND SHAREHOLDERS' EQUITY

	September 28 1973	September 29 1972
CURRENT LIABILITIES:		
Bank loan	\$ 250,000	\$ 175,000
Accounts payable and accrued liabilities	394,824	281,800
Due to Joy Manufacturing Company (Canada) Limited (majority shareholder)	82,710	21,089
	<u>727,534</u>	<u>477,889</u>
DEFERRED INCOME TAXES:	110,439	178,500
SHAREHOLDERS' EQUITY:		
Capital stock—		
Authorized—500,000 common shares of no par value		
Issued and fully paid—232,000 common shares	180,214	180,214
Retained earnings	<u>1,354,839</u>	<u>1,430,862</u>
	<u>1,535,053</u>	<u>1,611,076</u>

APPROVED ON BEHALF OF THE BOARD:

 Director

 Director

\$2,373,026

\$2,267,465

THE CRAIG BIT COMPANY LIMITED

(incorporated under the laws of Ontario)

NOTES TO FINANCIAL STATEMENTS

SEPTEMBER 28, 1973

1. The cost of fixed assets has been reduced by \$137,540 to reflect a federal Area Development Incentives grant, the full amount of which has now been received.
2. The loss for the year ended September 28, 1973 includes approximately \$17,000 (1972 - \$29,000) of non-taxable income associated with the Area Development Incentives Grant.
3. Total remuneration of directors and senior officers as defined in the Business Corporations Act (Ontario) for the fiscal year ended September 28, 1973 amounted to \$62,600 (1972 - \$61,000).
4. The annual rental on leased land at North Bay, the lease for which is due to expire in 1981, is \$6,700.

THE CRAIG BIT COMPANY LIMITED

(incorporated under the laws of Ontario)

STATEMENT OF INCOME AND RETAINED EARNINGS

For the fiscal year ended

	September 28 1973	September 29 1972
Net sales	\$2,323,813	\$2,513,402
Costs and expenses exclusive of items noted below	2,336,421	2,376,818
Depreciation	106,776	110,412
Bank interest	15,420	17,935
Income taxes	(68,061)	(10,000)
	2,390,556	2,495,165
Net income (loss) (Note 2)	(66,743)	18,237
Retained earnings at beginning of year	1,430,862	1,431,185
	1,364,119	1,449,422
Dividends paid	9,280	18,560
Retained earnings at end of year	\$1,354,839	\$1,430,862
(Loss) earnings per share	(\$0.29)	\$0.08
Dividends per share	\$0.04	\$0.08

THE CRAIG BIT COMPANY LIMITED

(incorporated under the laws of Ontario)

STATEMENT OF SOURCE AND USE OF FUNDS

	For the fiscal year ended	
	September 28 1973	September 29 1972
SOURCE OF FUNDS:		
Net income	\$ —	\$ 18,237
Depreciation	—	110,412
Deferred income taxes	—	43,700
Funds provided by operations	—	172,349
USE OF FUNDS:		
Loss	66,743	—
Depreciation	(106,776)	—
Deferred income taxes	68,061	—
Funds applied to operations	28,028	—
Increase in fixed assets (net)	54,222	196,590
Dividends paid	9,280	18,560
	63,502	215,150
Decrease in working capital	(91,530)	(42,801)
Working capital at beginning of year	1,177,236	1,220,037
Working capital at end of year	<u>\$1,085,706</u>	<u>\$1,177,236</u>

